



OFFICE OF THE ADVISORY COMMITTEE ON BUSINESS APPOINTMENTS

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The Rt Hon The Lord Hammond of Runnymede

By email

31 August 2021

Dear Philip

Thank you for your detailed response to my letter as Chair of the Advisory Committee on Business Appointments (the Committee), dated 16 August, in which you provided additional context regarding your contact with HM Treasury (HMT), on behalf of OakNorth Bank (OakNorth) in July 2020. This is attached below.

You informed the Committee that OakNorth, on the recommendation of the Bank of England, arranged to meet with HMT, to discuss the use of a financial toolkit which might help the government's response to the Covid-19 pandemic. OakNorth offered to make the toolkit available to government without any commercial charge. This initial approach was arranged without your involvement. OakNorth had received no response on the matter, and you therefore contacted Charles Roxburgh, Second Permanent Secretary at HMT to seek confirmation that OakNorth's message and offer of pro-bono support had been received and understood. As you noted, this email and the response have been published and accurately quoted in the press.

In your helpful response you accurately quote the wording of the condition imposed¹ by the Committee in its advice to you. You understood the advice prohibited you from making contact with HMT if it had been to benefit OakNorth or secure business on behalf of OakNorth. You made clear the intention of the contact with HMT was only to establish that a pro-bono offer of support to the government had been received and understood. As a result of this contact, you received confirmation from the Second Permanent Secretary that officials intended to discuss the offer with the Chancellor at a future date. You said this contact was '*...neither seeking to influence*

¹ for two years from your last day in Ministerial office, you should not become personally involved in lobbying the UK Government, on behalf of OakNorth, nor should you make use, directly or indirectly, of your government and/or Ministerial contacts to influence policy or secure business on behalf of OakNorth or its partners/clients.

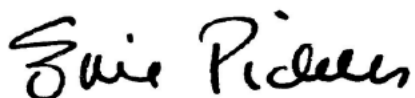
policy, nor motivated by an attempt to secure business (or any other form of benefit)'.

I have no doubt you sincerely believed contact with your former department in this way was appropriate and within the Rules. Unfortunately, even though the initial contact was made without your involvement, it was an unwise step to contact senior officials at the Treasury on OakNorth's behalf.

There are instances in which direct engagement with an applicant's former department is simply not appropriate within the spirit of the government's Rules - which are a set of principles that exist to protect the integrity of government. The Rules, and the conditions imposed, include provisions seeking to prevent any reasonable suggestion that a former minister's employer may be offered unfair access or influence within the government as a result of their former role.

In this case, as the former Chancellor paid by OakNorth, your contact with HMT raises a reasonable concern that direct engagement with the Second Permanent Secretary at HMT was only made available to OakNorth as a direct result of your time as Chancellor. The Committee considers the use of your contacts in government in this way was not consistent with the intention of the Rules and was not acceptable. The material consideration is the privileged access you obtained for OakNorth not the commercial value of the proposition.

In line with the Committee's policy of transparency, correspondence on this matter will be published on our website; and this letter will be copied to the Cabinet Office, as the owner of the Rules.

A handwritten signature in black ink that reads "Sairi Pickles". The signature is written in a cursive, slightly slanted style.

The Rt Hon Lord Pickles

Correspondence from Lord Hammond to Lord Pickles, 16 August 2021

Dear Eric

I am replying to your letter of August 13th in which you refer to press articles regarding my contact on 24th July 2020 with an HMT official in relation to OakNorth Bank.

You ask me to provide further information to help the committee to understand the circumstances of this contact, which you suggest "appears incompatible with the Rules and the advice you accepted before taking up this role". I understand why you are raising this question; I shall explain below why I do not believe there is any such incompatibility.

As you are aware my company, Matrix Partners Ltd, has a contractual relationship with OakNorth under which Matrix provides advisory support and I sit as a member of the OakNorth Advisory Board.

Let me reassure you, firstly, that OakNorth was made fully aware of the ACOBA advice received prior to the contract being entered into. We discussed and agreed how to structure my involvement to deliver maximum value to the Bank, while respecting the advice. In light of the Sunday Telegraph article on August 8th I have reviewed the ACOBA advice against the role I have performed for the Bank during the restricted period. That role has been focused on three areas: strategic advice on the broad political and economic situation in the UK and elsewhere as it is relevant to the development of the business; outreach to clients and potential clients via on-line "webinars"; and ad hoc support to the Credit Committee in analysing credit risk where public policy or potential Government action is a factor in the risk assessment. I am satisfied that all the work that Matrix Partners has undertaken for OakNorth, and my role in delivering it, is entirely consistent with the Advice received.

With regard to the communication with Charles Roxborough at HMT, referred to in the Sunday Telegraph article, the background is as follows:

1) During Q2 2020 OakNorth developed a sophisticated software "toolkit" in response to the pandemic to measure, with a high degree of granularity, the vulnerability of different sub-sectors of the economy (both in the UK and in the US). This toolkit was developed for internal use and for use by partner banks in making lending and refinancing decisions. The evidence by the end of Q2 2020 suggested that the toolkit had been highly effective in avoiding credit losses.

2) I was informed, after the event, that OakNorth had presented the model to the Bank of England at senior level. I had no involvement in this initiative. The senior Bank of England official to whom the presentation was made was reportedly impressed by the model and its potential use in directing policy support for businesses by identifying those most at risk from the pandemic. He recommended

that OakNorth should present in similar terms to HMT, which they did. Again, I had no involvement in arranging this meeting.

3) After the meeting with HMT, I had a conversation with OakNorth executives about the meeting and their offer to share the toolkit with the UK Government. I was told that the Bank was offering to make the toolkit available to HMG, as a contribution to the Covid pandemic national response, without charge. OakNorth executives were enthusiastic about the prospect of the toolkit potentially playing a significant role in directing policy support for business and were keen to progress the discussion with HMT.

4) In that conversation, some frustration was expressed at the delay in follow-up to the meeting at HMT and there was speculation internally that maybe information about the toolkit and the bank's offer that had been conveyed in the meeting had not got through to senior decision makers. I offered to email Charles Roxburgh, 2nd Permanent Secretary at HMT, to seek confirmation that the message and the offer of pro bono support had, indeed, been received and understood at the appropriate level. My email and Charles Roxborough's response have both been published under Fol and quoted, accurately, in newspapers.

I am, of course, aware that the terms of the advice I received from ACOBA would have prohibited me from making such a communication on OakNorth's behalf if the purpose had been to benefit the Bank or to "secure business on behalf of OakNorth or its partners/clients". But it was not. The purpose was to establish that a pro bono offer of support to HMG, to assist in the Treasury's response to business impacts of the Covid pandemic, had been received at senior level. You will note that my email ends with a reference to the excitement in OakNorth at the possibility of its technology having a "use beyond the commercial". The response I received from Charles Roxborough confirmed that there was such an awareness at senior level and that officials intended to discuss the offer with the Chancellor at a future date.

The ACOBA advice that I received in respect of OakNorth imposed two relevant restrictions on me:

- i) that I should not "become personally involved in lobbying the UK Government on behalf of OakNorth"; and
- ii) that I should not "make use, directly or indirectly, of [my] government and/or Ministerial contacts *to influence policy or secure business on behalf of OakNorth or its partners/clients*" (my italics).

In respect of (i) above, I do not believe that seeking confirmation of the receipt of a pro bono offer of assistance by senior officials can be defined as "lobbying" in any reasonably understood interpretation of the word. Furthermore, the Committee's own definition of the prohibition on "lobbying" in paragraph 8 of the Business Appointment Rules for Former Ministers says "This means that a former Minister should not engage in communication with Government (Ministers, civil servants, including special advisers, and other relevant officials/public office holders)..... with a view to influencing a Government decision, policy or contract award/grant *in relation to their own interests or the interests of the organisation by which they are employed or to whom they are contracted...*" (my italics). The communication in question clearly did not seek to do any of those things.

In respect of (ii) above, my communication was neither seeking to influence policy, nor motivated by an attempt to secure business (or any other form of benefit) on behalf of Oaknorth or its partners/clients.

I believed at the time, and believe now, that my email to Charles Roxburgh was, in the circumstances, compliant with both the letter and the spirit of the ACOBA advice I received, because the subject matter was neither "lobbying", nor about "securing business" for OakNorth, but about pursuing a pro bono offer of support to the Government. If the subject matter had been a commercial proposal by OakNorth to HMG, I would certainly not have offered to make contact with Charles Roxburgh, as to do so would have been a clear breach of the ACOBA advice.

I hope this clarifies the position satisfactorily, but I am of course happy to respond to any further questions, or provide any further clarification, that you feel necessary.

Yours sincerely

Philip

The Rt Hon The Lord Hammond of Runnymede

Correspondence from Lord Pickles to Lord Hammond, 13 August 2021



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Lord Hammond of Runnymede
By email

13 August 2021

Dear Lord Hammond

I am writing to you in my capacity as Chair of the Advisory Committee on Business Appointments (the Committee). It was reported in recent press articles² that you contacted your former department, HM Treasury, on behalf of OakNorth Bank in July 2020.

The government's Business Appointment Rules exist to protect the integrity of government. The Rules seek to consider and mitigate various risks associated with movement out of government service. A major consideration is the risk a former minister could offer an advantage or unfair access to an organisation through privileged access to contacts and influence gained from government service. To help mitigate this particular risk there is a ban on former ministers lobbying the government for two years on leaving office.

You sought and received advice from the Committee on your role with OakNorth Bank before taking up the role in January 2020. The Committee would like to understand the circumstances behind your contact with HM Treasury on behalf of OakNorth as it appears incompatible with the Rules and the advice you accepted before taking up this role³.

In line with the Committee's policy of transparency, we will be publishing correspondence on this matter. If you wish your explanation to be published alongside this, please reply to this letter before Monday 23 August 2021. Any failure to respond will be included in our publication.



The Rt Hon Lord Pickles

²<https://www.telegraph.co.uk/news/2021/08/07/former-chancellor-accused-breaching-ministerial-code/>
<https://www.independent.co.uk/news/uk/politics/tory-lobbying-investigation-hammond-bank-b1900934.html>

³https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/861972/OakNorth_bank_20200129-162148_1293_001.pdf